

- 2010 -

LSU Alumni  
Association  
and Subsidiary

CONSOLIDATED  
FINANCIAL  
STATEMENTS



**LSU ALUMNI ASSOCIATION AND SUBSIDIARY**  
Baton Rouge, Louisiana

**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010



Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/13/11

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## TABLE OF CONTENTS

December 31, 2010

	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
<b>INDEPENDENT AUDITORS' REPORT</b>		1
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>		
Consolidated Statement of Financial Position	A	2
Consolidated Statement of Activities	B	3
Consolidated Statement of Cash Flows	C	4
Notes to the Consolidated Financial Statements	D	5
<b>SUPPLEMENTAL INFORMATION</b>	<b><u>Schedule</u></b>	
Combining Schedule of Activities	1	15
<b>STATISTICAL INFORMATION</b>		
Assets, liabilities and net assets		S-1
Investment activity		S-2
Contributions		S-3
Return on Hotel investment		S-4
Hotel occupancy and average revenue per occupied room-night		S-5
Hotel expenses per occupied room and operating expenses		S-6



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
LSU Alumni Association  
Baton Rouge, Louisiana

We have audited the consolidated statement of financial position of the **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the "Association") as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2009 financial statements and, in our report dated March 6, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental and statistical information on pages 15 and S-1 through S-6 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and, in our opinion, such information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*Faulk & Winkler LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
March 18, 2011

## LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2010  
(with comparative amounts for 2009)

## ASSETS

	<u>2010</u>	<u>2009</u>
<b>CURRENT</b>		
Cash	\$ 1,124,561	\$ 770,514
Pledges receivable, net	726,484	788,854
Receivables - other	269,213	421,153
Merchandise inventory	<u>97,763</u>	<u>103,531</u>
Total current assets	2,218,021	2,084,052
<b>INVESTMENTS:</b>		
Unrestricted	303,983	241,283
Endowment	14,728,410	13,332,471
<b>LONG-TERM PLEDGES RECEIVABLE, net</b>	305,430	543,474
<b>PROPERTY AND EQUIPMENT, net</b>	15,692,202	16,128,732
<b>DEFERRED INCOME TAXES, net</b>	-	337,000
<b>OTHER ASSETS</b>	<u>265,271</u>	<u>174,446</u>
Total assets	<u>\$ 33,513,317</u>	<u>\$ 32,841,458</u>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and other accruals	\$ 728,015	\$ 265,136
Deferred revenues	255,921	104,419
Deferred royalty	<u>3,511,071</u>	<u>-</u>
Total current liabilities	4,495,007	369,555
<b>OTHER LIABILITIES</b>	<u>535,417</u>	<u>4,159,984</u>
Total liabilities	<u>5,030,424</u>	<u>4,529,539</u>
<b>NET ASSETS</b>		
Unrestricted	11,417,600	11,815,080
Temporarily restricted	-	95,396
Permanently restricted	<u>17,065,293</u>	<u>16,401,443</u>
Total net assets	<u>28,482,893</u>	<u>28,311,919</u>
Total liabilities and net assets	<u>\$ 33,513,317</u>	<u>\$ 32,841,458</u>

The accompanying notes to consolidated financial statements  
are an integral part of this statement.



# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

(with comparative amounts for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2010	2009
<b>REVENUE AND SUPPORT</b>					
Donations	\$ 1,655,350	\$ 199,384	\$ 663,850	\$ 2,518,584	\$ 2,932,373
Earned:					
Hotel	3,114,135	-	-	3,114,135	3,071,786
Merchandise, sales, and trip	959,121	-	-	959,121	1,054,722
Rental and catering	656,508	-	-	656,508	600,534
Investments:					
Dividend and interest	8,490	238,095	-	246,585	249,040
Realized gain (loss)	7,648	-	-	7,648	(77,049)
Unrealized gain	711,157	-	-	711,157	1,842,904
Other	662,950	-	-	662,950	689,064
Total revenue and support	7,775,359	437,479	663,850	8,876,688	10,363,374
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	532,875	(532,875)	-	-	-
Total revenue, support, and reclassifications	8,308,234	(95,396)	663,850	8,876,688	10,363,374
<b>EXPENSES</b>					
Program	6,101,377	-	-	6,101,377	6,228,108
Fundraising	1,087,933	-	-	1,087,933	1,072,707
General and administrative	1,179,404	-	-	1,179,404	1,009,877
Total expenses	8,368,714	-	-	8,368,714	8,310,692
Change in net assets, before income taxes	(60,480)	(95,396)	663,850	507,974	2,052,682
<b>PROVISION FOR INCOME TAXES</b>					
Deferred tax benefit	(48,000)	-	-	(48,000)	(201,000)
Valuation allowance	385,000	-	-	385,000	-
Total provision for income taxes	337,000	-	-	337,000	(201,000)
Change in net assets	(397,480)	(95,396)	663,850	170,974	2,253,682
<b>NET ASSETS</b>					
Beginning of year, as restated	11,815,080	95,396	16,401,443	28,311,919	26,058,237
End of year	\$ 11,417,600	\$ -	\$ 17,065,293	\$ 28,482,893	\$ 28,311,919

The accompanying notes to consolidated financial statements  
are an integral part of this statement.

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2010  
(with comparative amounts for 2009)

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 170,974	\$ 2,253,682
Adjustments for noncash items:		
Depreciation	682,750	678,779
Provision for doubtful accounts	2,000	(24,688)
Income tax expense (benefit)	337,000	(201,000)
Realized (gain) loss on investments - net	(7,648)	77,049
Unrealized gain on investments - net	(711,157)	(1,842,904)
Permanently restricted contributions - net	(663,850)	(1,168,268)
Change in operating assets and liabilities:		
Net change of pledges receivable	300,414	305,928
Net change in operating assets	64,883	78,474
Net change in operating liabilities	<u>500,885</u>	<u>(179,573)</u>
Net cash provided (used) by operating activities	<u>676,251</u>	<u>(22,521)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(3,448,723)	(4,630,631)
Proceeds from sale of investments	2,708,889	3,700,739
Acquisition of property and equipment	<u>(246,220)</u>	<u>(41,910)</u>
Net cash used by investing activities	<u>(986,054)</u>	<u>(971,802)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently restricted contributions	<u>663,850</u>	<u>1,168,268</u>
Net increase in cash and cash equivalents	354,047	173,945
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>770,514</u>	<u>596,569</u>
End of year	<u>\$ 1,124,561</u>	<u>\$ 770,514</u>

The accompanying notes to consolidated financial statements  
are an integral part of this statement.

**LSU ALUMNI ASSOCIATION AND SUBSIDIARY**

Baton Rouge, Louisiana

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and operations**

The **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the "Association") is a non-profit corporation organized to foster, protect, and promote the welfare of Louisiana State University and Agricultural and Mechanical College (the University) and to maintain a mutually beneficial relationship between the University and its alumni. The majority of the Association's revenues are derived from contributions made by individual alumni and various organizations, as well as revenues earned through the Alumni Center and Hotel. The Lod and Carole Cook Conference Center and Hotel, LLC (the Hotel), is a wholly-owned subsidiary that operates the for-profit activities of the Association. The Hotel and Alumni Center are located on land owned by the University.

**Basis of presentation and consolidation**

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting. All intercompany transactions and balances have been eliminated. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements. The Association reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for 2009, from which the summarized information was derived.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates. Estimates are used primarily when accounting for valuation and collection of receivables, depreciation, deferred revenue and deferred income taxes.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Association considers all demand deposits and money market accounts to be cash and cash equivalents, except that cash and cash equivalents that are restricted by donors are included with restricted or endowed investments. The Association considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents.

**Promises to give and contributions**

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges receivable are recorded net of an allowance for doubtful pledges that is based on management's estimate of collectability. The Association records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to the appropriate classification. Contributions to permanently restricted funds are restricted by the donor to be maintained in perpetuity and the related income earned is expended according to the donor's stipulations.

**Accounts receivable**

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. A general allowance for doubtful accounts is based on management's estimate of the collectability of accounts receivable according to prior experience. Management considers accounts receivable delinquent based on contractual terms. The Association does not require collateral for its receivables. Accounts receivable over 90 days past due totaled \$121,358 at December 31, 2010.

**Property and equipment**

Property and equipment are carried at cost. Additions, renewals, and betterments that extend the life of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and equipment (continued)**

Depreciation is provided using the straight-line method over the estimated useful lives of the property, ranging from three to thirty-nine years.

The Association does not capitalize its collections at the Andonie Museum, which consists of historical objects relating to LSU sports history which have been estimated to have a market value of approximately \$650,000. The Association exhibits these collections at the Andonie Museum on the campus of LSU. There were no significant changes to collections during 2010.

**Investment valuation and income recognition**

The Financial Accounting Standards Board Accounting Standards Codification, *Fair Value Measurements*, (ASC 810), establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the sources of pricing information (inputs) to valuation techniques used to measure fair value. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 810 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. Unrealized gains and losses are recorded in current year operations as increases or decreases in net assets. Dividend, interest, and other investment income are recorded as an increase in net assets.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment valuation and income recognition (continued)**

Donated investments are recorded at market value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the cost of the securities sold, using the specific identification cost method. These realized gains and losses are recognized in the Association's current operations.

**Income taxes and unrelated business income**

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code for the majority of the Association's revenues. However, the Association's subsidiary, the Hotel, is a for-profit corporation for income tax purposes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income during the period that includes the enactment date.

The Association files Form 990 and Form 990-T tax returns in the U.S. federal jurisdiction and in Louisiana. Generally, the Association is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by taxing authorities for years before 2007. The Association follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management of the Association believes there is no impact on the financial statements as a result of ASC 740-10.

**Deferred revenues**

Funds that are received for prepayment of lodging or deposits for events scheduled in the subsequent year are recorded as deferred revenues until they are earned.

**Fair value of financial instruments**

The carrying value of cash, receivables, prepaid expenses, accounts payable, accrued expenses, and deferred revenue approximate fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

**Advertising**

Advertising costs are expensed as incurred. The amount charged to operations was \$35,042 for 2010.

**NOTE 2 - INVESTMENTS**

Investments (all measured using Level 1 inputs), at December 31, 2010, consisted of the following:

	<u>Market Value</u>	<u>Cost</u>
Fixed income	\$ 8,058,075	\$ 7,961,775
Equities	<u>6,974,318</u>	<u>6,954,750</u>
	<u>\$ 15,032,393</u>	<u>\$ 14,916,525</u>

**NOTE 3 - PLEDGES RECEIVABLE**

Unconditional pledges receivable at December 31, 2010, were as follows:

	<u>Amount</u>
Less than one year	\$ 852,652
One to five years	<u>305,430</u>
	1,158,082
Allowance for uncollectible pledges	<u>(126,168)</u>
Total pledges receivable, net	<u>\$ 1,031,914</u>

A discount of \$12,820 has been computed on long term pledges receivable using a discount rate of 3% to record such receivables at net present value.

**NOTE 4 - ACCOUNTS RECEIVABLE**

At December 31, 2010, accounts receivable were as follows:

	<u>Amount</u>
LSU Foundation	\$ 116,033
Room rental and occupancy	73,127
Catering	53,449
Other	<u>38,604</u>
	281,213
Allowance for uncollectable accounts	<u>(12,000)</u>
Total receivable	<u>\$ 269,213</u>

## NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment, and related service lives at December 31, 2010 were as follows:

Description	Service Life	Amount
Buildings and improvements	15 - 39 years	\$ 20,840,944
Furniture and equipment	5 - 10 years	3,253,596
Automobiles	5 years	60,042
Software	3 years	42,758
Construction in progress		3,520
		24,200,860
Less accumulated depreciation		(8,508,658)
		<u>\$ 15,692,202</u>

Depreciation expense was \$682,750 for 2010.

## NOTE 6 - DEFERRED ROYALTY

The Association has a royalty agreement for use of its logo on credit cards and access to alumni member lists. Under the terms of the agreement, the Association received \$5,000,000 as a royalty guarantee for the period of July 1, 2004 to June 30, 2011. Earned royalties that began July 1, 2004 are applied against the advances. Any remaining advance amount is refundable if the Association breaches the agreement. Earned royalties for 2010 were approximately \$164,000. The Association is in negotiations to renew this agreement.

## NOTE 7 - PROVISION FOR INCOME TAXES

The provision for income taxes was an expense of \$337,000 for 2010.

The tax effects of temporary differences that give rise to significant portions of the deferred tax liability at December 31, 2010 are as follows:

Noncurrent deferred tax asset	Amount
Contribution carryforward	\$ 50,000
Net operating loss carryforward	405,000
Depreciation	(20,000)
	435,000
Valuation allowance	(435,000)
Noncurrent deferred tax asset, net	<u>\$ -</u>

**NOTE 7 - PROVISION FOR INCOME TAXES (CONTINUED)**

The Hotel had charitable contributions in 2006 of approximately \$239,000; however, such deductions are limited to 10% of net taxable income. Since the Hotel did not have significant taxable income during 2010, the non-deductible portion of the contribution is carried forward for five years (through 2011) until sufficient taxable income is generated to allow for the deduction. A valuation allowance has been recorded to reduce the carrying amount of the deferred tax asset to its estimated net realizable value.

At December 31, 2010, the Hotel had a net operating loss carry-forward of approximately \$2 million available through 2030. The Hotel's effective tax rate differs from the federal statutory rate, primarily due to lower rates on the first \$100,000 of taxable income, certain nondeductible expenses, and state income taxes/(benefits). This asset has been reduced by a valuation allowance of a comparable amount due to the uncertainty of the Hotel achieving adequate net income to realize the benefit of the net operating loss carryforwards.

**NOTE 8 - OTHER LIABILITIES**

Other liabilities at December 31, 2010 consist of the following:

	Amount
Deferred compensation	\$ 284,857
Annual leave	250,560
	<u>\$ 535,417</u>

**NOTE 9 - ENDOWMENT**

The endowment net assets had activity during 2010 as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 213,380	\$ 95,396	\$16,401,443	\$16,710,219
Investment return				
Interest and dividends	8,490	238,095	-	246,585
Appreciation, net	718,805	-	-	718,805
Total investment return	727,295	238,095	-	965,390
Contributions	1,655,350	199,384	663,850	2,518,584
Amounts appropriated for expenditure	-	(532,875)	-	(532,875)
	<u>1,655,350</u>	<u>(333,491)</u>	<u>663,850</u>	<u>1,985,709</u>
Endowment net assets, end of year	<u>\$ 2,596,025</u>	<u>\$ -</u>	<u>\$17,065,293</u>	<u>\$19,661,318</u>

**NOTE 9 - ENDOWMENT (CONTINUED)**

**Unrestricted endowment net assets**

Unrestricted endowment net assets are comprised of funds designated by the Board of Directors for operating purposes, including maintenance on buildings. Additionally, from time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration.

**Temporarily restricted endowment net assets**

At December 31, 2010, the Association had no temporarily restricted net assets available for scholarships and professorships.

The Association has a policy of appropriating 5% of the endowment fund's average market value for the preceding 3 years for professorships and scholarships. Upon payment of professorships and scholarships, donor-restrictions are satisfied and temporarily restricted net assets are released from restrictions and reclassified as an increase in unrestricted net assets.

**Permanently restricted endowment net assets**

The Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association.

**Return objectives**

The long-term investment objective is to maintain the purchasing power of the endowment assets over the long-term while meeting current obligations. In addition, the investment program is expected to exceed a composite benchmark index comprised of market indices weighted in proportion to an asset allocation policy. Adequate liquidity shall be maintained to provide annual distributions of scholarships, professorships, and building and operating expenses.

To satisfy the long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both market appreciation (realized and unrealized), and interest and dividends. The Association uses a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.



**NOTE 10 - COMMITMENT**

The Association has a deferred compensation plan (the Plan) covering the President of the Association. On December 31, 2008, the Plan was amended to suspend future contributions. The salary continuation distributions shall be payable thirty days after the President's retirement from active service with the Association. The liability for payments at December 31, 2010 was \$284,857, which is recorded as other liabilities.

**NOTE 11 - RENT EXPENSE**

Rent and lease expense incurred for 2010 was \$37,513. These rentals and leases are short term and cancelable by either party. The Association has also entered into a 99-year lease with the University for the land used by the Association and Hotel. The annual rent expense associated with this lease is nominal.

**NOTE 12 - DONATED SERVICES**

A substantial number of unpaid volunteers have made a significant contribution of their time to develop the Association's programs, principally in fund raising activities, operations, and board participation. The value of this donated time is not reflected in these statements since no objective basis for measurement or valuation is available.

**NOTE 13 - RETIREMENT PLAN**

The Association has a 401(k) retirement plan covering substantially all eligible employees. Employees are 100% vested in their contributions as well as discretionary Association matching and profit sharing contributions. Employees may contribute up to 25% of their compensation limited to \$16,500 annually. The Association contributed \$76,785 to the plan during 2010.

**NOTE 14 - CONCENTRATION OF CREDIT RISK**

Financial instruments which subject the Association to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments. Management periodically evaluates the Association's credit risk associated with its investments, which are not collateralized. Future changes in market value may make such investments less valuable.

The Association typically maintains cash and cash equivalents and temporary investments in local banks that may, at times, exceed the FDIC limits. Management believes that this risk is limited.

**NOTE 15 - RELATED PARTIES**

During 2010, the Association paid \$1,660,178 to the University and agencies of the University for reimbursement for personnel, various services, costs, and supplies.

The Association had funds invested with the LSU Foundation totaling approximately \$116,000 at December 31, 2010. Also, the LSU Foundation rents office space from the Association, which was approximately \$138,000 during 2010.

The Association earned \$254,765 of hotel revenue in 2010 from various departments of the University.

The Association received \$840,000 in rental income, and \$180,000 in management fees from the Hotel. However, these transactions have been eliminated upon consolidation.

**NOTE 16 - PRIOR PERIOD ADJUSTMENT**

During 2010, the Hotel discovered an error in the recording of inventory in 2009. The change resulted in a decrease in the balance of the Association's net assets as follows:

	<u>Net assets</u>
Net assets, December 31, 2009, as previously stated:	\$ 28,371,020
Inventory adjustment	<u>(59,101)</u>
Net assets, December 31, 2009, as restated	<u><u>\$ 28,311,919</u></u>

**NOTE 17 - SUBSEQUENT EVENTS**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 18, 2011, the date the financial statements were available to be issued.



## **SUPPLEMENTAL INFORMATION**

## LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## COMBINING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2010

(with comparative amounts for 2009)

	Alumni Association	Restricted Fund	The Cook Hotel	Total	
				2010	2009
<b>Revenue and support:</b>					
Donations	\$ 1,656,688	\$ 861,896	\$ -	\$ 2,518,584	\$ 2,932,373
<b>Earned:</b>					
Hotel	-	-	3,114,135	3,114,135	3,071,786
Merchandise, sales, and trips	127,018	-	832,103	959,121	1,054,722
Rental and catering	485,273	-	171,235	656,508	600,534
<b>Investments:</b>					
Dividend and interest	7,867	238,095	623	246,585	249,040
Realized gain (loss)	4,639	3,009	-	7,648	(77,049)
Unrealized gain	27,619	683,538	-	711,157	1,842,904
<b>Other:</b>					
Bank of America royalty	164,046	-	-	164,046	179,400
Advertising sales	-	-	132,506	132,506	115,991
On campus events	68,518	-	-	68,518	72,828
Golf tournament	37,395	-	-	37,395	39,728
Proceeds from insurance	-	-	22,464	22,464	22,464
Miscellaneous	236,281	-	1,740	238,021	258,653
Total revenue and support	2,815,344	1,786,538	4,274,806	8,876,688	10,363,374
<b>Expenses:</b>					
<b>Personnel:</b>					
Salaries	1,676,049	-	936,938	2,612,987	2,600,778
Staff benefits	358,822	-	201,624	560,446	428,363
Total personnel	2,034,871	-	1,138,562	3,173,433	3,029,141
<b>Occupancy:</b>					
Depreciation	559,132	-	123,618	682,750	678,779
Utilities	157,598	-	393,467	551,065	611,423
Professional and contracted services	112,827	-	122,273	235,100	221,244
Repairs and maintenance	207,264	-	114,935	322,199	304,613
Hotel operations	-	-	314,593	314,593	337,634
Taxes	2,620	-	267,690	270,310	384,496
Supplies	62,045	-	104,101	166,146	114,748
Rent	17,158	-	20,355	37,513	59,349
Miscellaneous operating services	23,906	19,228	322	43,456	48,675
Total occupancy	1,142,550	19,228	1,461,354	2,623,132	2,760,961
<b>Promotional:</b>					
Scholarships	-	545,036	-	545,036	572,767
Travel and sports trips	83,965	-	446,000	529,965	652,659
Special events ticket purchases	378,997	-	-	378,997	353,725
Cost of merchandise sold	-	-	231,575	231,575	258,649
Printing	200,713	-	13,076	213,789	147,875
Postage	90,410	-	12,497	102,907	84,781
Catering	83,530	-	5,104	88,633	101,206
Other support	58,140	-	-	58,140	24,197
Promotional supplies	48,399	-	-	48,399	57,763
Advertising	7,031	-	28,011	35,042	22,414
Gifts of appreciation/donor recognition	28,682	-	-	28,682	28,490
Total promotional	979,876	545,036	736,263	2,261,175	2,304,526
<b>General and Administrative:</b>					
Fees	-	40,895	130,006	170,901	155,998
Telephone	27,891	-	33,699	61,590	55,208
Provision for doubtful accounts	4,967	-	34,263	39,230	(32,688)
Auto insurance	16,833	-	9,444	26,277	18,138
Dues and subscriptions	9,412	-	3,564	12,976	19,408
Total general and administrative	59,103	40,895	210,976	310,974	216,064
Total expenses	4,216,400	605,159	3,547,155	8,368,714	8,310,692
Change in net assets, before income taxes	(1,401,056)	1,181,379	727,651	507,974	2,052,682
Income tax expense (benefit)	-	-	337,000	337,000	(201,000)
Change in net assets	\$ (1,401,056)	\$ 1,181,379	\$ 390,651	\$ 170,974	\$ 2,253,682

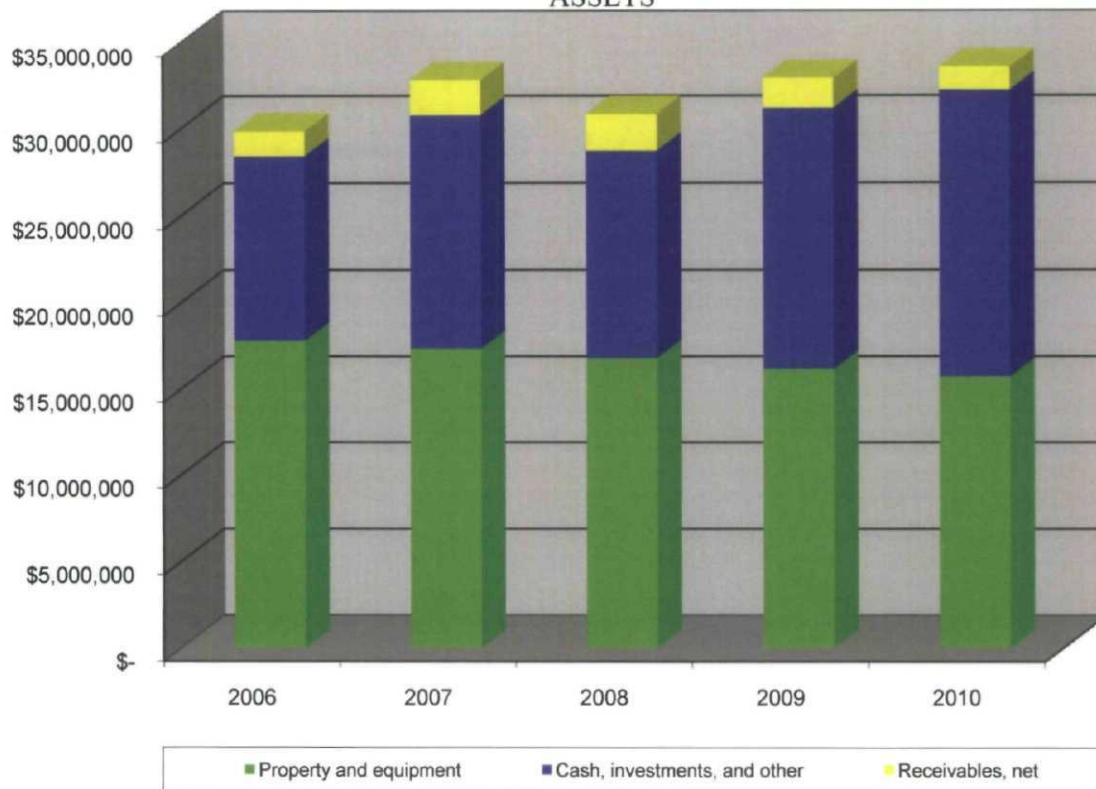
See Independent Auditors' Report



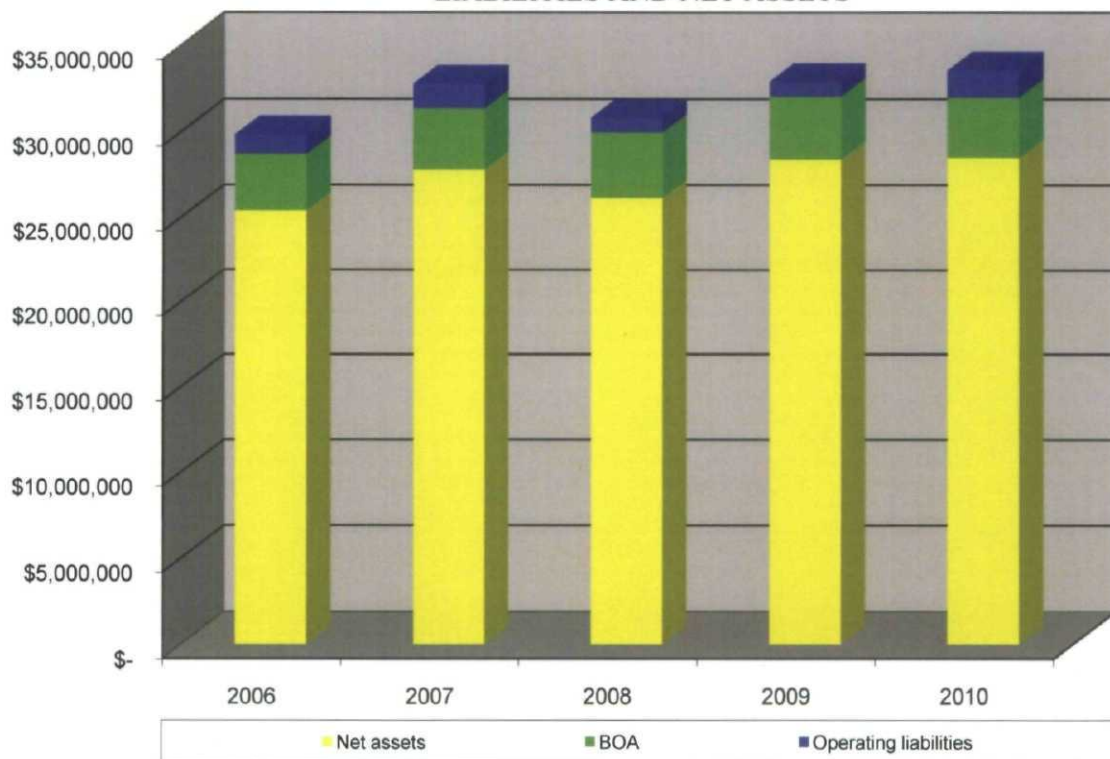
## **STATISTICAL INFORMATION**

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

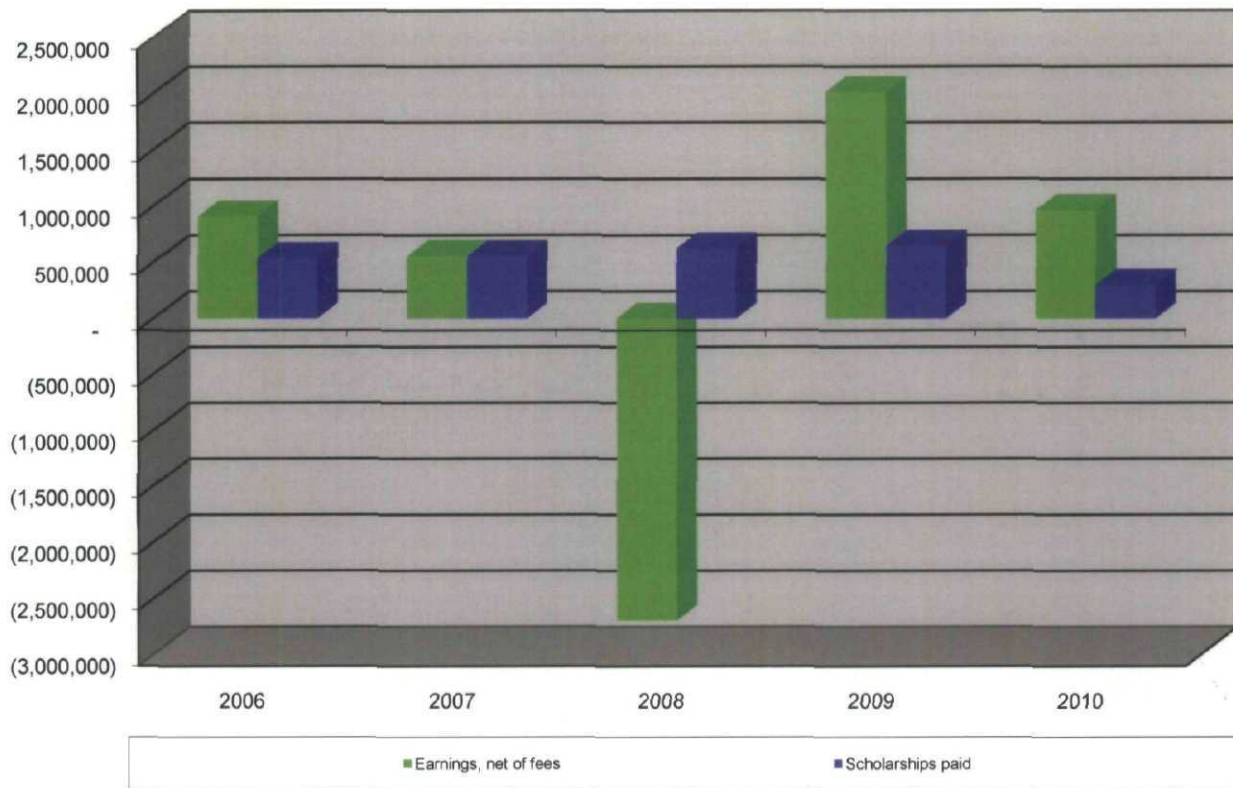
## ASSETS



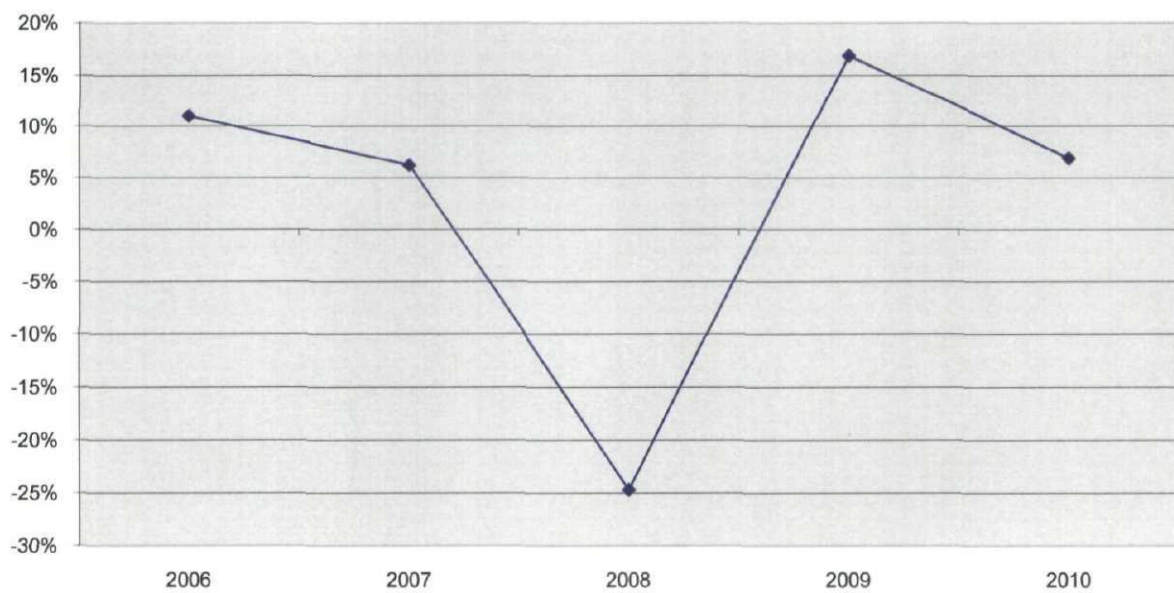
## LIABILITIES AND NET ASSETS



## ENDOWED INVESTMENT FUND EARNINGS/ SCHOLARSHIPS & PROFESSORSHIPS PAID



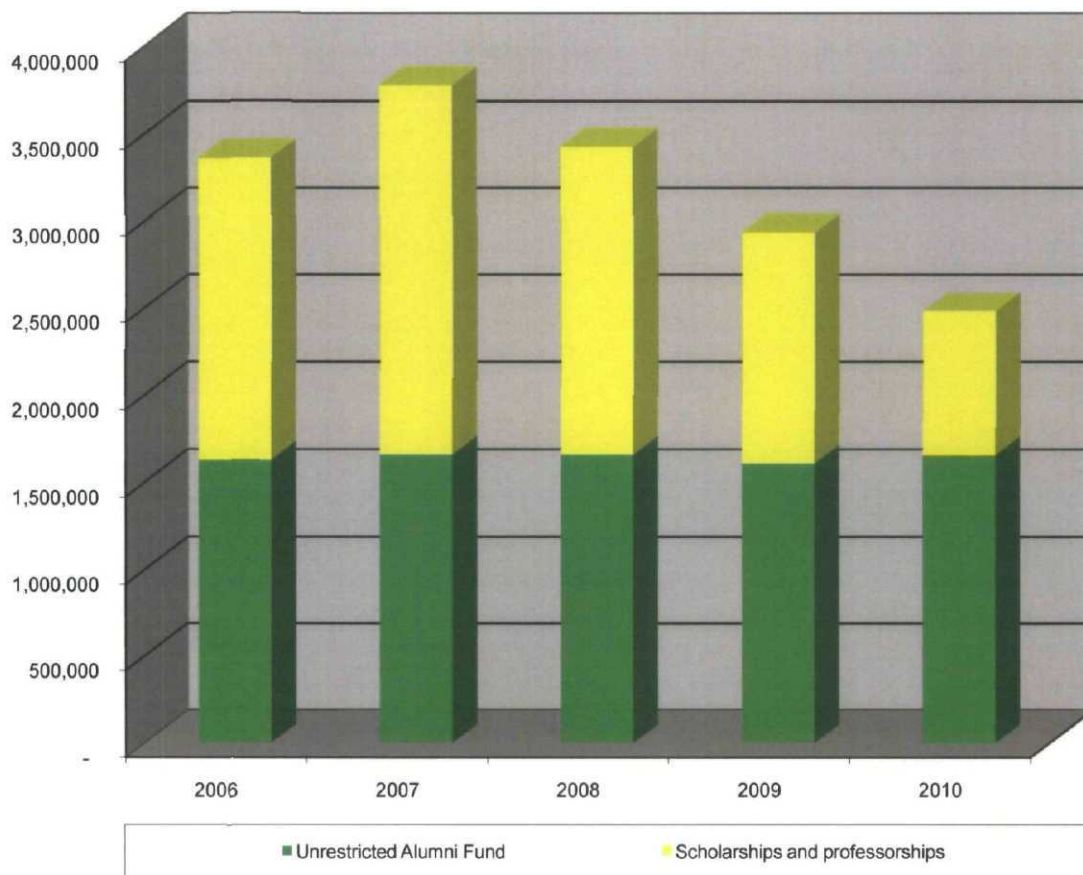
## RETURN ON INVESTMENTS



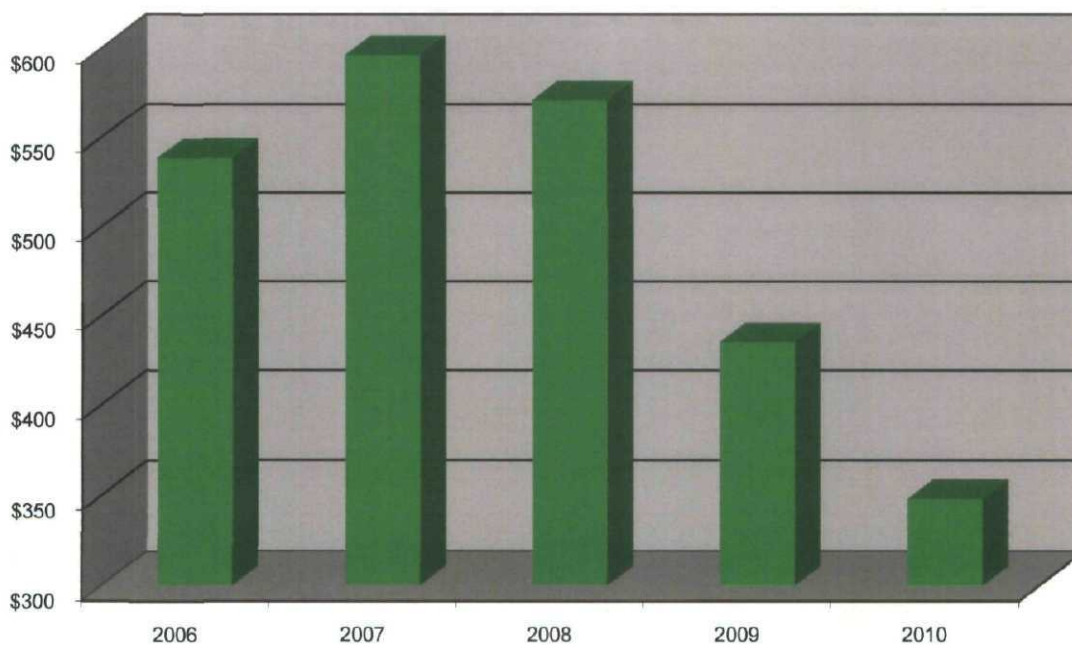


## LSU ALUMNI ASSOCIATION AND SUBSIDIARY

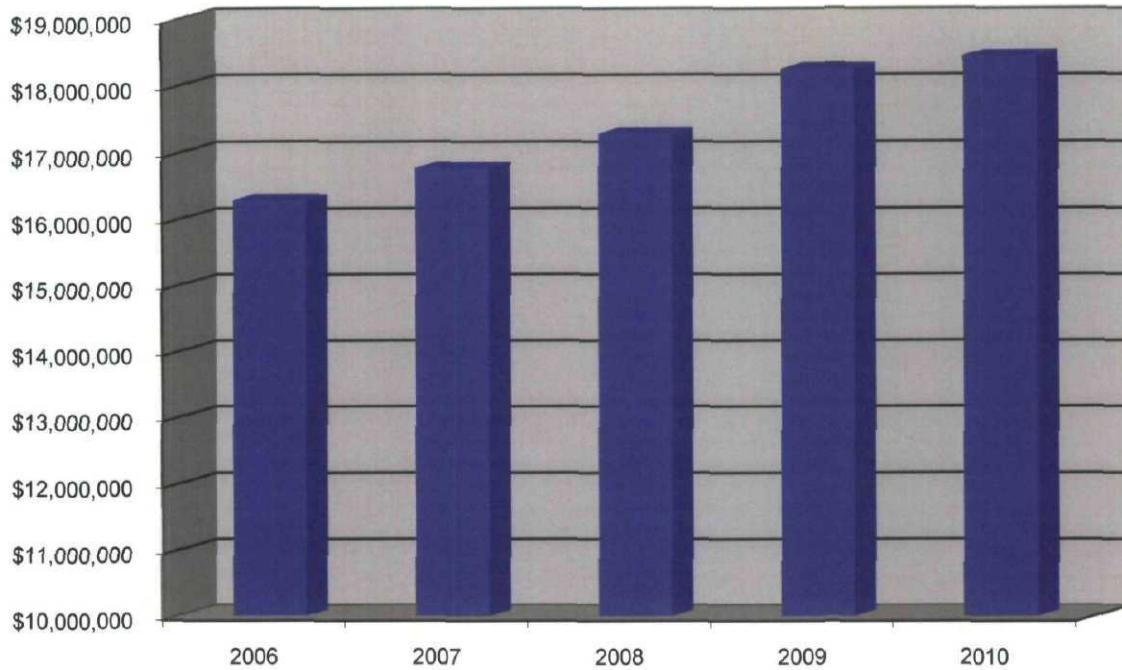
### CONTRIBUTIONS



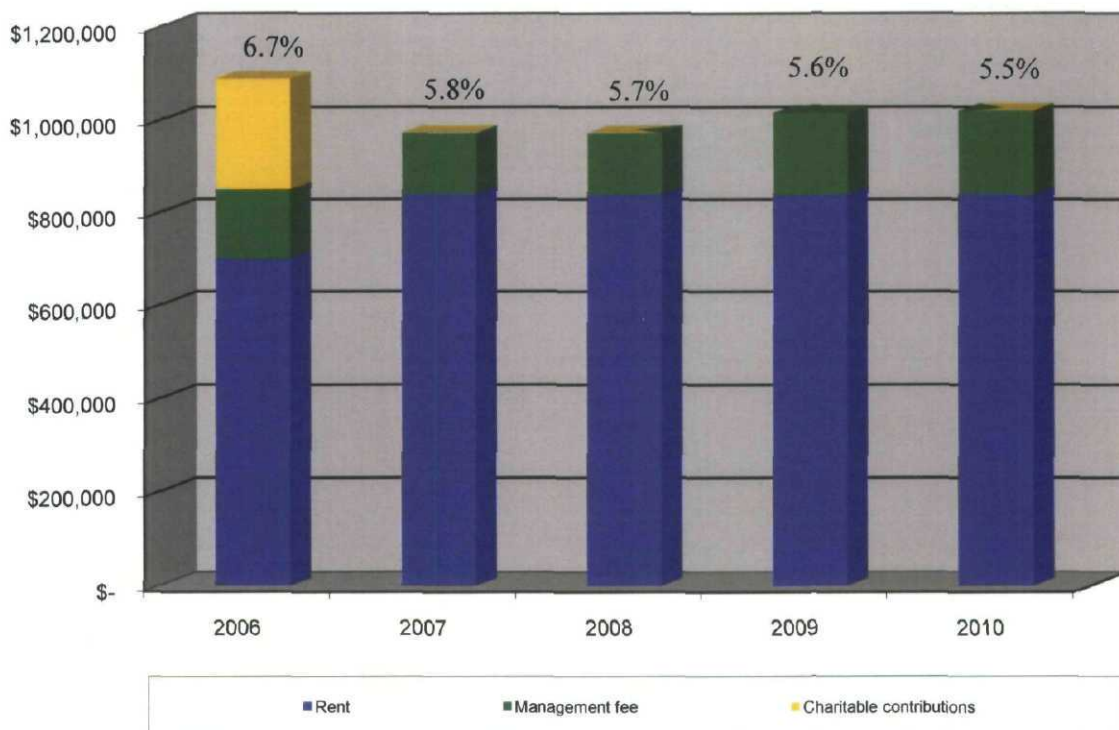
### AVERAGE CONTRIBUTION PER MEMBER



**LSU ALUMNI ASSOCIATION  
HOTEL INVESTMENT - GROSS COST  
(INCLUDING CONTRIBUTED CAPITAL)**

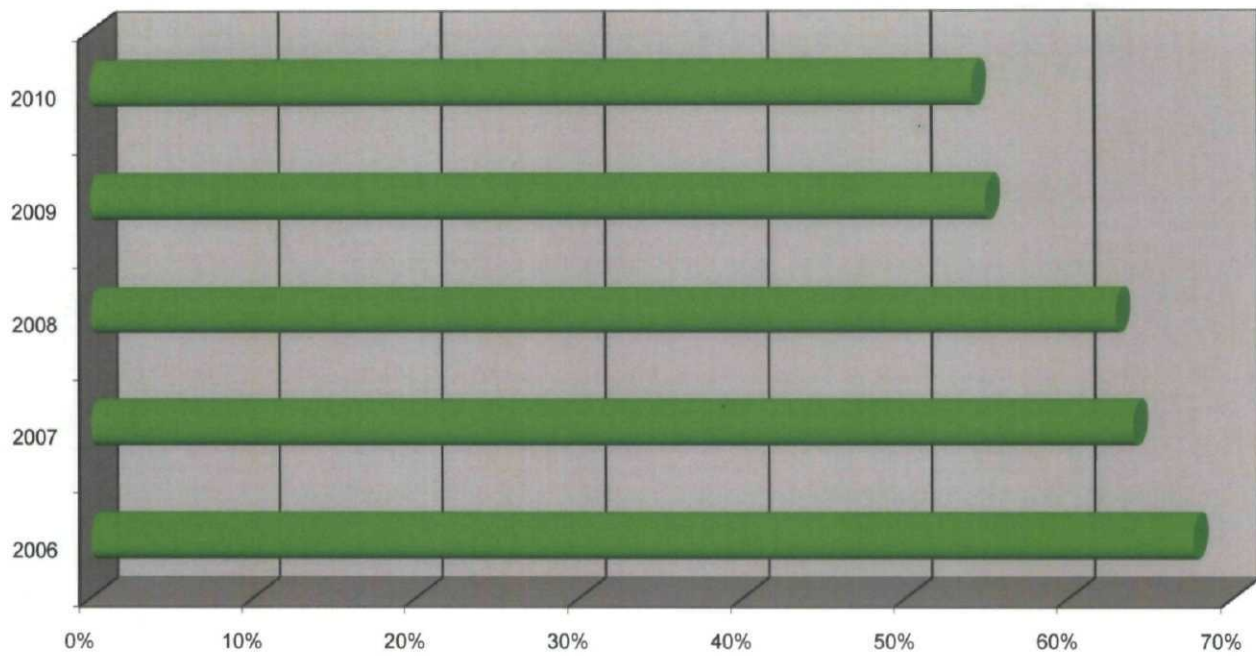


**RETURN ON HOTEL INVESTMENT**

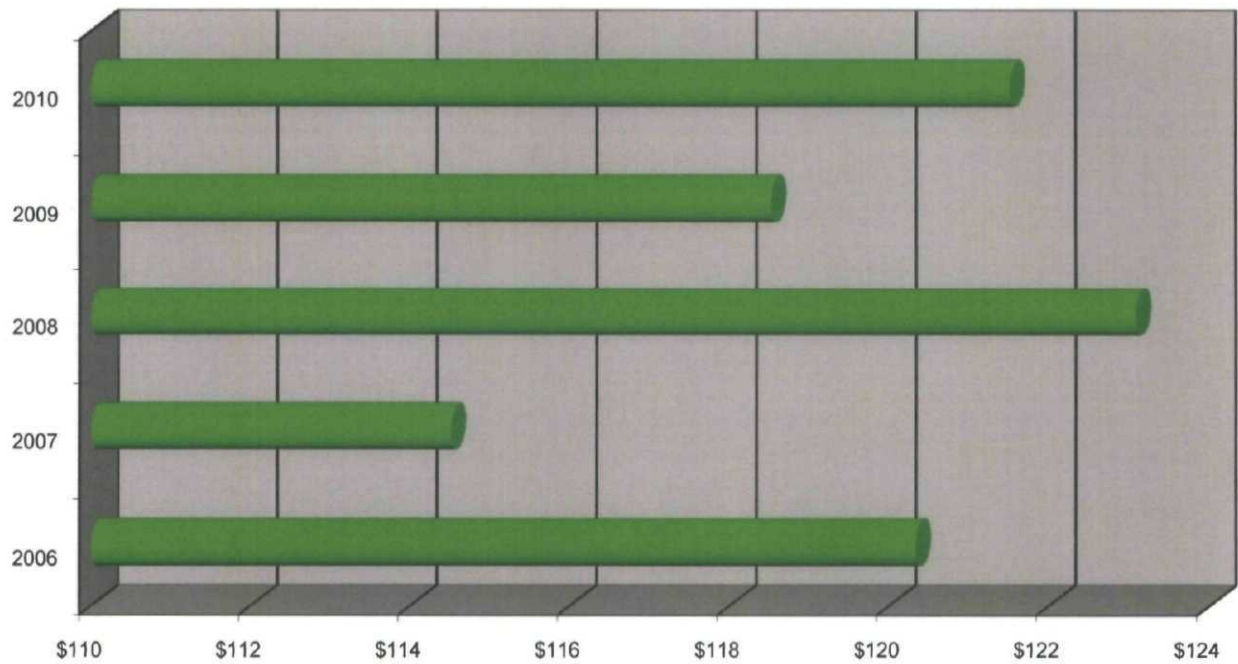


# LOD AND CAROLE COOK HOTEL AND CONFERENCE CENTER

## OCCUPANCY



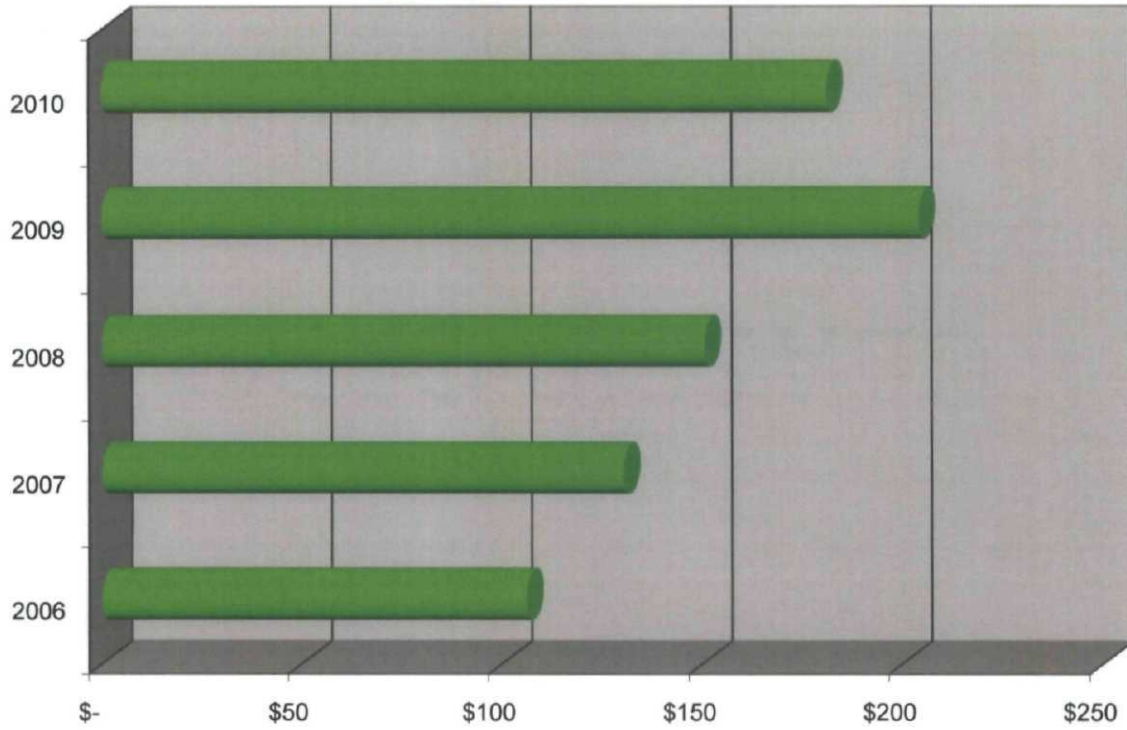
## AVERAGE REVENUE PER OCCUPIED ROOM-NIGHT



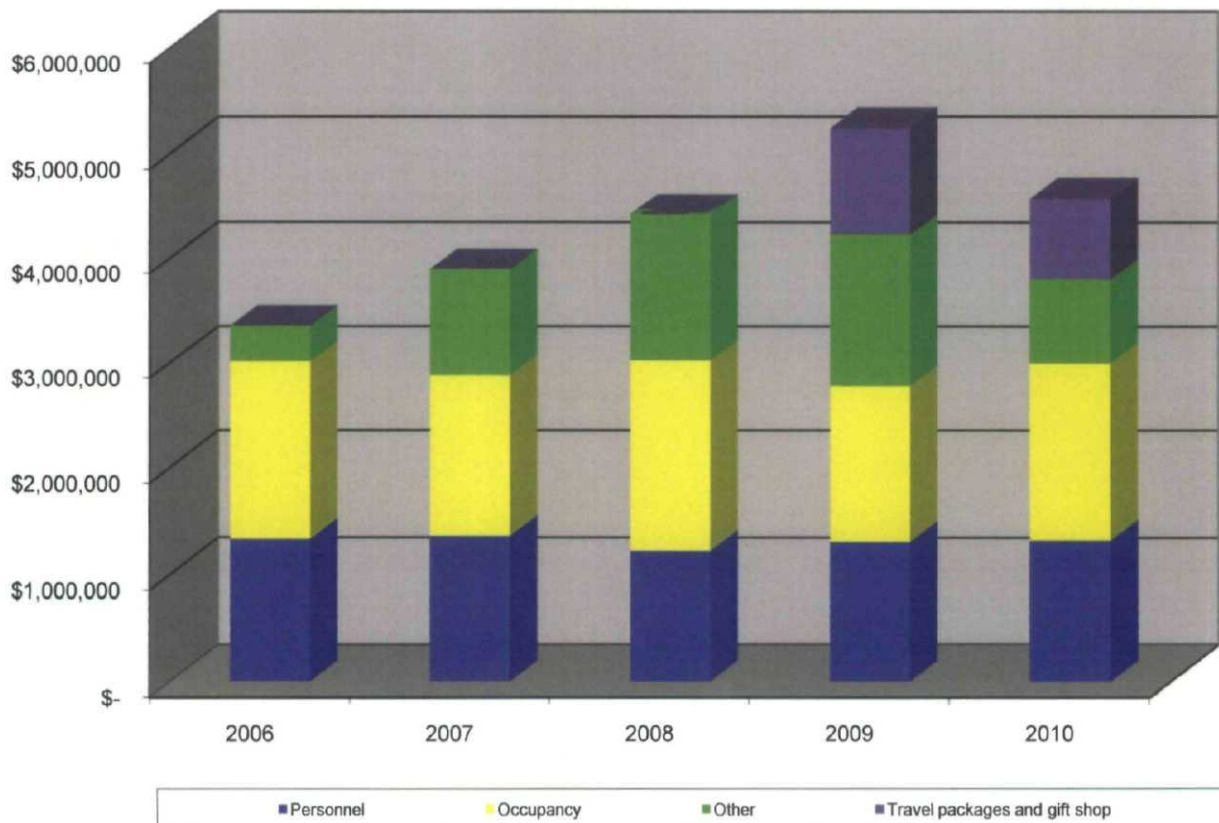


# **LOD AND CAROLE COOK HOTEL AND CONFERENCE CENTER**

**AVERAGE EXPENSE PER OCCUPIED ROOM-NIGHT**



**OPERATING EXPENSES**





March 18, 2011

Board of Directors  
LSU Alumni Association  
Baton Rouge, Louisiana

Gentlemen:

We have audited the consolidated financial statements of **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the Association) for the year ended December 31, 2010, and have issued our report thereon dated March 18, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our meeting on February 11, 2011. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

*Provision for uncollectible accounts and pledges receivable* – A provision for the estimated uncollectible receivables has been estimated by management of the Association. Management of the Association believes the remaining receivables after reduction for the allowance are collectible.

*Depreciation* – Depreciation has been recorded based on management's assertion as to the estimated useful life of property purchased or received from donation.

*Deferred taxes* – Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Furthermore, a deferred tax asset valuation allowance has been recorded of \$435,000 since it is uncertain if the tax benefits will be realized in future periods.

*Deferred revenue* – Deferred revenue is recorded when suites at the Cook Hotel are paid in advance and revenue is recognized in the applicable year.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements detected as a result of audit procedures, which were material, either individually or in the aggregate, to the financial statements taken as a whole. (See management letter).

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated March 18, 2011.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

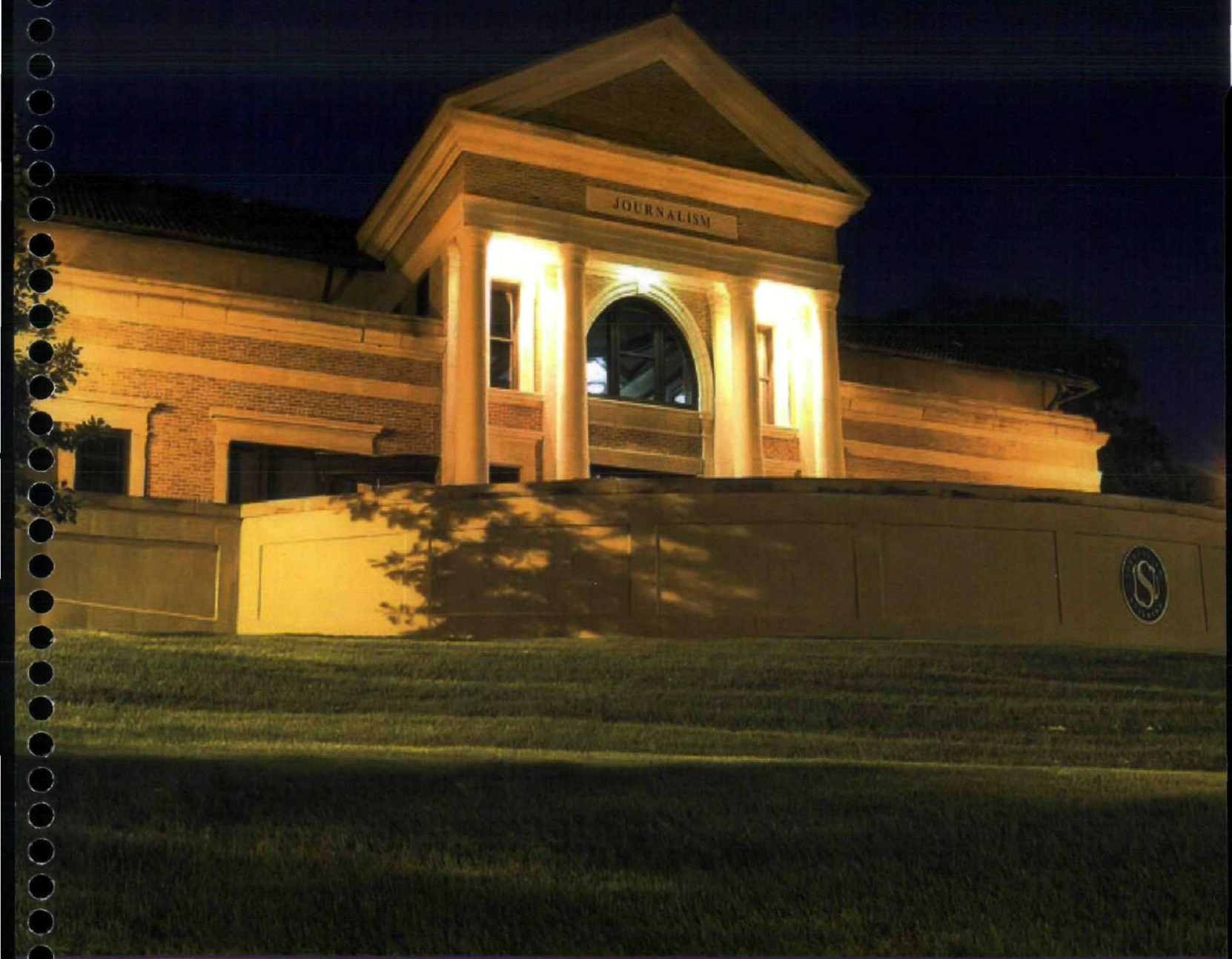
This information is intended solely for the use of the Board of Directors and management of the Association and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Faulk & Winkler LLC*

Certified Public Accountants  
Baton Rouge, Louisiana





THE LOD AND CAROLE COOK  
CONFERENCE CENTER AND HOTEL, LLC  
Baton Rouge, Louisiana  
FINANCIAL STATEMENTS  
December 31, 2010

**THE LOD AND CAROLE COOK  
CONFERENCE CENTER AND HOTEL, LLC**

Baton Rouge, Louisiana

**FINANCIAL STATEMENTS**

December 31, 2010 and 2009



**THE COOK HOTEL**

**THE LOD AND CAROLE COOK  
CONFERENCE CENTER AND HOTEL, LLC**  
Baton Rouge, Louisiana

**TABLE OF CONTENTS**

December 31, 2010 and 2009

	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
<b>INDEPENDENT AUDITORS' REPORT</b>		1
<b>FINANCIAL STATEMENTS</b>		
Balance Sheets	A	2
Statements of Operations and Changes in Member's Equity	B	3
Statements of Cash Flows	C	4
Notes to the Financial Statements	D	5
<b>SUPPLEMENTAL INFORMATION</b>	<b><u>Schedule</u></b>	
Schedule of Operating Expenses	1	10



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Lod and Carole Cook Conference Center and Hotel, LLC  
Baton Rouge, Louisiana

We have audited the balance sheets of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** (the Hotel) (a limited liability company and subsidiary of the LSU Alumni Association) as of December 31, 2010 and 2009, and the related statements of operations and changes in member's equity and cash flows for the years then ended. These financial statements are the responsibility of the Hotel's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** as of December 31, 2010 and 2009, and the results of their operations, changes in member's equity, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Faulk & Winkler LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
March 18, 2011

**THE LOD AND CAROLE COOK  
CONFERENCE CENTER AND HOTEL, LLC**

Baton Rouge, Louisiana

**BALANCE SHEETS**

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 687,830	\$ 239,613
Accounts receivable, net	137,029	151,403
Other receivables	4,622	160,247
Inventory	97,763	103,531
Prepaid expenses	<u>106,725</u>	<u>42,285</u>
Total current assets	1,033,969	697,079
<b>PROPERTY AND EQUIPMENT, net</b>	537,627	606,350
<b>DEFERRED INCOME TAXES, net</b>	<u>-</u>	<u>337,000</u>
Total assets	<u><u>1,571,596</u></u>	<u><u>\$ 1,640,429</u></u>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued expenses	\$ 249,974	\$ 39,952
Deferred revenue	<u>247,190</u>	<u>92,506</u>
Total current liabilities	497,164	132,458
<b>MEMBER'S EQUITY</b>	<u>1,074,432</u>	<u>1,507,971</u>
Total liabilities and member's equity	<u><u>\$ 1,571,596</u></u>	<u><u>\$ 1,640,429</u></u>

The accompanying notes to financial  
statements are an integral part of this statement.

**THE LOD AND CAROLE COOK  
CONFERENCE CENTER AND HOTEL, LLC**

Baton Rouge, Louisiana

**STATEMENTS OF OPERATIONS AND CHANGES  
IN MEMBER'S EQUITY**

For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>		
Rooms	\$ 3,069,883	\$ 3,039,390
Travel packages	520,940	543,659
Gift shop	311,163	381,814
Food, beverage, and other	200,962	194,388
Catering	<u>171,235</u>	<u>130,672</u>
Total revenues	<u>4,274,183</u>	<u>4,289,923</u>
<b>OPERATING EXPENSES</b>		
Property operation	3,264,942	3,714,378
Travel packages	510,754	614,621
Gift shop	261,303	453,626
General and administration	<u>530,156</u>	<u>510,089</u>
Total operating expenses	<u>4,567,155</u>	<u>5,292,714</u>
Net loss from operations	(292,972)	(1,002,791)
<b>OTHER INCOME</b>		
Interest	<u>623</u>	<u>2,271</u>
Net loss before income taxes	<u>(292,349)</u>	<u>(1,000,520)</u>
<b>PROVISION FOR INCOME TAXES</b>		
Deferred tax benefit	(48,000)	(201,000)
Valuation allowance	<u>385,000</u>	<u>-</u>
Total provision for income taxes	<u>337,000</u>	<u>(201,000)</u>
Net loss	(629,349)	(799,520)
<b>MEMBER'S EQUITY</b>		
Beginning of the year, as restated	1,507,971	1,346,004
Contributed capital	<u>195,810</u>	<u>961,487</u>
End of the year	<u>\$ 1,074,432</u>	<u>\$ 1,507,971</u>

The accompanying notes to financial  
statements are an integral part of this statement.

**THE LOD AND CAROLE COOK  
CONFERENCE CENTER AND HOTEL, LLC**  
Baton Rouge, Louisiana

**STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (629,349)	\$ (799,520)
Adjustments for non-cash items:		
Depreciation	123,618	119,078
Allowance for doubtful accounts receivable	2,000	27,312
Deferred income tax expense (benefit)	337,000	(201,000)
Change in operating assets and liabilities:		
Net change in operating assets	109,327	(39,785)
Net change in operating liabilities	<u>364,706</u>	<u>(12,876)</u>
Net cash provided (used) by operating activities	307,302	(906,791)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(54,895)	(37,510)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributed capital	<u>195,810</u>	<u>961,487</u>
Net increase in cash and cash equivalents	448,217	17,186
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>239,613</u>	<u>222,427</u>
End of year	<u><u>\$ 687,830</u></u>	<u><u>\$ 239,613</u></u>

The accompanying notes to financial  
statements are an integral part of this statement.



**THE LOD AND CAROLE COOK  
CONFERENCE CENTER AND HOTEL, LLC**  
Baton Rouge, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and operations**

The Lod and Carole Cook Conference Center and Hotel, LLC (the Hotel) is a wholly owned subsidiary of the LSU Alumni Association (the Association) and is doing business as The Cook Hotel. The Hotel was organized as a Louisiana Limited Liability Company in February 2006 to operate the for-profit activities of the Association.

The Hotel is located on the Baton Rouge campus of Louisiana State University (the University) and provides overnight lodging and conference room rentals to the University community and public. During 2009, the gift shop and sports trip operations were assumed by the Hotel.

**Basis of presentation**

The financial statements of the Hotel have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates are primarily used when accounting for valuation and collection of receivables, deferred taxes, depreciation, and deferred revenue.

**Cash and cash equivalents**

For purposes of the statements of cash flows, the Hotel considers all demand deposits and money market accounts to be cash and cash equivalents. The Hotel considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents. The Hotel does not have any cash equivalents at December 31, 2010 and 2009.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts receivable**

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. A general allowance for doubtful accounts is based on management's estimate of the collectability of accounts receivable according to prior experience. Management considers accounts receivable delinquent based on contractual terms. The Hotel does not require collateral for its receivables.

**Property and equipment**

Property and equipment are carried at cost. Additions, renewals, and betterments that extend the life of assets are capitalized and maintenance and repair expenditures are expensed as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the property, ranging from three to twenty years.

**Income taxes**

The Hotel is a limited liability company that is taxed as a corporation. The Hotel uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income during the period that includes the enactment date.

The Hotel follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there was no impact on the financial statements as result of ASC 740-10.

**Deferred revenues**

Funds that are received for prepayment of lodging and deposits for events are recorded as deferred revenues until they are earned.

**Fair value of financial instruments**

The carrying value of cash, receivables, accounts payable, accrued expenses, and deferred revenue approximate fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

**NOTE 2 - ACCOUNTS RECEIVABLE**

At December 31, 2010 and 2009, accounts receivable were as follows:

	2010	2009
Rooms	\$ 73,127	\$ 82,120
Events, net	75,902	79,283
	149,029	161,403
Allowance for uncollectible accounts	(12,000)	(10,000)
Accounts receivable, net	<u>\$ 137,029</u>	<u>\$ 151,403</u>

Accounts receivable at December, 31, 2010 and 2009 in excess of 90 days was \$89,609 and \$109,820 respectively, and was substantially collected subsequent to year end.

**NOTE 3 - OTHER RECEIVABLES**

During 2008, the Hotel sustained damages from Hurricane Gustav and filed a claim with the Federal Emergency Management Agency for \$170,094 for repairs and revenue loss. As of December 31, 2010 the Hotel has collected \$140,133 of this balance and charged off \$25,339 of the uncollectible balance to bad debts. The remaining balance of \$4,622 has been collected subsequent to year end.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment, and related service lives at December 31, 2010 and 2009 were as follows:

Description	Service Life	2010	2009
Building improvements	15-20 years	\$ 311,173	\$ 304,153
Furniture and equipment	5-10 years	1,952,882	1,921,941
Software	3 years	36,258	19,324
		2,300,313	2,245,418
Less accumulated depreciation		(1,762,686)	(1,639,068)
		<u>\$ 537,627</u>	<u>\$ 606,350</u>

Depreciation expense was \$123,618 and \$119,078 for 2010 and 2009, respectively.

## NOTE 5 - PROVISION FOR INCOME TAXES

The provision for income taxes was an expense of \$337,000 for 2010 and a benefit of \$201,000 for 2009.

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset at December 31, 2010 and 2009 are as follows:

Noncurrent deferred tax asset	2010	2009
Contribution carryforward	\$ 50,000	\$ 50,000
Net operating loss carryforward	405,000	357,000
Depreciation	(20,000)	(20,000)
	435,000	387,000
Valuation allowance	(435,000)	(50,000)
Noncurrent deferred tax asset, net	\$ -	\$ 337,000

The Hotel had charitable contributions in 2006 of approximately \$239,000; however, such deductions are limited to 10% of net taxable income. Since the Hotel did not have significant taxable income during 2010, the non-deductible portion of the contribution is carried forward for five years (through 2011) until sufficient taxable income is generated to allow for the deduction. A valuation allowance has been recorded to reduce the carrying amount of the deferred tax asset to its estimated net realizable value.

At December 31, 2010, the Hotel had a net operating loss carry-forward of approximately \$2 million available through 2030. The Hotel's effective tax rate differs from the federal statutory rate, primarily due to lower rates on the first \$100,000 of taxable income, certain nondeductible expenses, and state income taxes (benefits). This asset has been reduced by a valuation allowance of a comparable amount due to the uncertainty of the Hotel achieving adequate net income to realize the benefit of the net operating loss carryforwards.

## NOTE 6 - RETIREMENT PLAN

The Hotel, through the LSU Alumni Association, has a 401(k) retirement plan covering substantially all eligible employees. Employees are 100% vested in their contributions, as well as discretionary Hotel matching and profit sharing contributions. Employees may contribute up to 25% of their compensation limited to \$16,500 annually. The Hotel contributed \$76,785 and \$71,076 during 2010 and 2009, respectively.

**NOTE 7 - CONCENTRATION OF CREDIT RISK**

The Hotel typically maintains cash and temporary investments in local banks that may, at times, exceed the FDIC limits. Management believes that this risk is limited.

**NOTE 8 - RELATED PARTIES**

The Hotel has a five year lease for the hotel property with the Association (parent) and incurs a management fee. Payments made to the Association are as follows:

	<u>2010</u>	<u>2009</u>
Rent	\$ 840,000	\$ 840,000
Management fee	<u>180,000</u>	<u>176,000</u>
Total payments	<u>\$ 1,020,000</u>	<u>\$ 1,016,000</u>

Hotel revenue of \$254,765 and \$260,610 for 2010 and 2009, respectively, was received from departments of the University.

During 2010 and 2009, the Association contributed capital of \$195,810 and \$961,487, respectively, to the Hotel.

**NOTE 9 - PRIOR PERIOD ADJUSTMENT**

During 2010, the Hotel discovered an error in the recording of inventory in 2009. The change to member's equity was as follows:

	<u>Member's Equity</u>
Member's equity, December 31, 2009, as previously stated:	\$ 1,567,072
Inventory adjustment	<u>(59,101)</u>
Member's equity, December 31, 2009, as restated	<u>\$ 1,507,971</u>

**NOTE 10 - SUBSEQUENT EVENTS**

In preparing these financial statements, the Hotel has evaluated events and transactions for potential recognition or disclosure through March 18, 2011, the date the financial statements were available to be issued.

**THE LOD AND CAROLE COOK  
CONFERENCE CENTER AND HOTEL, LLC**  
Baton Rouge, Louisiana

**SCHEDULE OF OPERATING EXPENSES**

For the years ended December 31, 2010 and 2009

	Property Operation	Travel Packages	Gift Shop	General and Administration	Total 2010	2009
<b>OPERATING EXPENSES</b>						
Personnel	\$ 1,069,424	\$ 29	\$ 64,552	\$ -	\$ 1,134,005	\$ 1,593,353
Rent to Association	840,000	-	-	-	840,000	840,000
Travel	-	503,628	-	-	503,628	534,755
Occupancy	433,419	1,379	1,529	-	436,327	478,580
Rooms	329,658	-	-	-	329,658	330,956
Professional services	-	-	-	246,223	246,223	242,909
Taxes and licenses	246,000	-	-	-	246,000	354,930
Merchandise	-	-	184,442	-	184,442	223,343
Management fee to Association	-	-	-	180,000	180,000	176,000
Depreciation	123,618	-	-	-	123,618	119,078
Repairs and maintenance	103,959	-	-	-	103,959	155,081
Food, beverage, and other	98,509	-	-	-	98,509	97,189
Marketing	-	2,400	-	33,706	36,106	20,507
Bad debt	-	-	-	34,263	34,263	27,312
Operating leases	20,355	-	-	-	20,355	39,476
Other	-	3,318	10,780	35,964	50,062	59,245
<b>Total operating expenses</b>	<b>\$ 3,264,942</b>	<b>\$ 510,754</b>	<b>\$ 261,303</b>	<b>\$ 530,156</b>	<b>\$ 4,567,155</b>	<b>\$ 5,292,714</b>

See Independent Auditors' Report.



March 18, 2011

Board of Directors  
The Lod and Carole Cook Conference Center and Hotel, LLC  
Baton Rouge, Louisiana

Gentlemen:

We have audited the financial statements of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** (the Hotel) for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 18, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audits. We have communicated such information in our meeting on February 11, 2011. Professional standards also require that we communicate to you the following information related to our audits.

#### **Significant Audit Findings**

##### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Hotel are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Hotel during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

*Provision for uncollectible accounts* – A provision for the estimated uncollectible receivables has been estimated by management of the Hotel. Management of the Hotel believes the remaining receivables after reduction for the allowance are collectible.

*Depreciation* – Depreciation has been recorded based on management's assertion as to the estimated useful life of property purchased or received from donation.

*Deferred taxes* – Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Furthermore, a deferred tax asset valuation allowance has been recorded of \$435,000 since it is uncertain if the tax benefits will be realized in future periods.

*Deferred revenue* – Deferred revenue is recorded when suites at the Cook Hotel are paid in advance and revenue is recognized in the applicable year. Additionally, activity related to post season sports travel is recognized in the year in which the event occurs.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. (See management letter)

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated March 18, 2011.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



***Other Audit Findings or Issues***

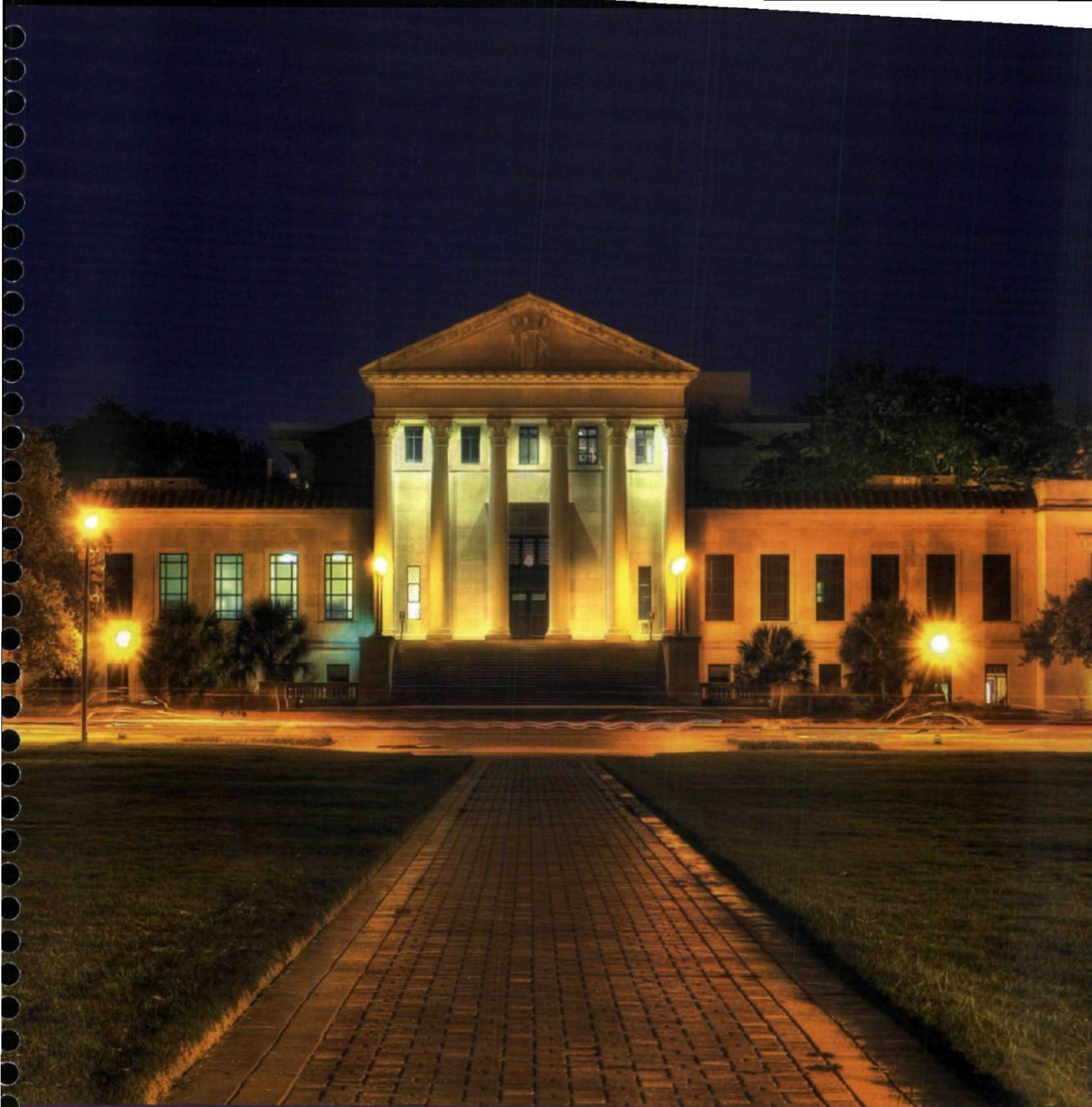
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Hotel's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Hotel and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Faulk & Winkler LLC*

Certified Public Accountants  
Baton Rouge, Louisiana



MANAGEMENT LETTER  
December 31, 2010

**LSU ALUMNI ASSOCIATION AND SUBSIDIARY**

Baton Rouge, Louisiana

**MANAGEMENT LETTER**

December 31, 2010





Board of Directors  
LSU Alumni Association and Subsidiary  
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the Association) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency noted as 2010-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency noted as 2010-2 to be a significant deficiency.

This communication is intended solely for the information and use of the Board of Directors, the Association's management, and others within the Association, and is not intended to be and should not be used by anyone other than these specified parties.

*Faulk & Winkler LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
March 18, 2011

### 2010-1 - Financial Statement Preparation

**Observation:** The Association relies on the auditor to assist in adjusting the books and to assist in the preparation of the external financial statements. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Association's internal control structure; however, design of internal control structure does not otherwise include procedures to prepare external financial statements and related disclosures in conformity with generally accepted accounting principles. The audit adjustments that were required to fairly present the Association's financial position and activities as of and for the year ended December 31, 2010 are illustrated in Exhibit A.

**Recommendation:** Since management is satisfied with using its auditing firm to prepare external financial statements, no change is recommended. However, this matter will continue to be reported.

### 2010-2 - Profitability

**Observation:** The for-profit hotel activities conducted are not producing the intended results, which are summarized as follows:

	2007	2008	2009	2010
Revenues	<u>\$3,625,340</u>	<u>\$4,033,127</u>	<u>\$ 4,289,923</u>	<u>\$4,274,183</u>
Operating expenses				
Personnel	1,356,566	1,216,290	1,593,353	1,134,005
Rent	700,000	840,000	840,000	840,000
Management fee	300,000	132,000	176,000	180,000
Occupancy	510,315	624,999	478,580	436,327
Other	<u>1,013,176</u>	<u>1,607,247</u>	<u>2,204,781</u>	<u>1,976,823</u>
Total operating expenses	<u>3,880,057</u>	<u>4,420,536</u>	<u>5,292,714</u>	<u>4,567,155</u>
Net loss	<u>\$ (254,717)</u>	<u>\$ (387,409)</u>	<u>\$ (1,002,791)</u>	<u>\$ (292,972)</u>

The Association has supported the Hotel through on-going contributions, as follows:

Contributed capital	<u>\$ 1,162,066</u>	<u>\$ 513,409</u>	<u>\$ 961,487</u>	<u>\$ 195,810</u>
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**Recommendation:** We recommend management make a concentrated effort to increase revenue and/or decrease expenses to eliminate operating losses. The benefit of the accumulated net operating losses available to offset future taxable income has been recorded as an asset; however, during the current year a valuation allowance of \$435,000 was recorded due to the uncertainty of future taxable income. Finally, the Hotel had a cash balance of \$688,000 at December 31, 2010 and cash flow from operations was approximately \$307,000 during the year. With this level of cash activity, the Hotel should be self-sustaining and capital contributions from the Association should be discontinued.

## LSU ALUMNI ASSOCIATION AND SUBSIDIARY

## Summary of Audit Adjustments - Effect on Change in Net Assets

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>		
Receivables		
Catering	\$ -	\$ (229,677)
Pledge payments accrued in prior year	-	(253,928)
Inventory	59,101	(59,101)
Deferred income taxes	(337,000)	201,000
Fixed assets - depreciation	169,250	-
Other	(2,128)	-
<b><u>Liabilities</u></b>		
Deferred revenue - MBNA	-	179,400
Other	(40,645)	123,018
<b><u>Net assets</u></b>		
To record prior year audit entries	<u>(39,631)</u>	<u>(167,744)</u>
Net decrease in change in net assets from audit adjustments	(191,053)	(207,032)
<b>Pre-adjusted change in net assets</b>	<u><b>362,027</b></u>	<u><b>2,460,714</b></u>
<b>Audited change in net assets</b>	<u><b>\$ 170,974</b></u>	<u><b>\$ 2,253,682</b></u>



**INDEPENDENT AUDIT REPORT  
MARCH 18, 2011**

**RESPONSE**

Board of Directors  
LSU Alumni Association

This letter is in response to the Independent Auditor's Report presented to the Board of Directors, LSU Alumni Association for the calendar year which ended December 31, 2010 and dated June 29, 2011.

Under the section of specific recommendations, the following responses are offered:

The Association relies on the auditor to assist in adjusting the books and to assist in the preparation of the external financial statements. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Associations internal control structure; however, design of internal control structure does not otherwise include procedures to prepare external financial statements and related disclosures in conformity with generally accepted accounting principles. The audit adjustments that were required to fairly present the Association's financial position and activities as of and for the year ended December 31, 2010 are illustrated in Exhibit A.

**Recommendation:** Since management is satisfied with using its auditing firm to prepare external financial statements, no change is recommended. However, this matter will continue to be reported.

**As stated above in the Recommendation management is satisfied with using its auditing firm to prepare external financial statements. This practice will be continued and as stated above will continue to be reported.**

We recommend management make a concentrated effort to increase revenue and/or decrease expenses to eliminate operating losses. The benefit of the accumulated net operating losses available to offset future taxable income has been recorded as an asset; however, during the current year a valuation allowance of \$435,000 as recorded due to the uncertainty of future taxable income. Finally, the Hotel had a cash balance of \$688,000 at December 31, 2010 and cash flow from operations was approximately \$307,000 during the year. With this level of cash activity, the Hotel should be self-sustaining and capital contributions from the Association should be discontinued.

**First, currently for the year 2011, expenses have been greatly reduced and at every opportunity further reductions will be made.**

**Second, additional staff is now in place to increase sales and revenue generating opportunities. A major problem faced by the hotel has been the reduction or**



**elimination of all state travel funds. Many state organizations have used this facility in the past, but due to no travel funds the percentage of revenue for the hotel has decreased or disappeared. The hotel sales staff has now concentrated on corporate and/or private business sales to increase revenue.**



INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES

December 31, 2010

**LSU ALUMNI ASSOCIATION AND SUBSIDIARY**

Baton Rouge, Louisiana

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

December 31, 2010





**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors and Management  
LSU Alumni Association and Subsidiary  
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of the LSU Alumni Association and Subsidiary (Association) and the Louisiana State University System, solely to assist you in evaluating the compliance with the Affiliations Agreement with the Louisiana State University System for the year ended December 31, 2010. The Association's management is responsible for compliance with the Affiliations Agreement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

With respect to your representations relating to the Affiliation Agreement, as of December 31, 2010, and for the year then ended, we applied the following agreed-upon procedures:

1. The Affiliate is required to maintain a written policy regarding the handling and resolution of audit findings, audit exceptions, and any misuse of funds. We reviewed whether the policy is in place.

The Association is in compliance with this requirement.

2. The governing board of the Affiliate has established and implemented policies governing all disbursements for administrative and operating expenses. The policies provide for sound and prudent business practices, the payment or reimbursement of ordinary, necessary and reasonable business expenses, and the avoidance of conflicts-of-interests. We reviewed whether the enacted policies of the Association comply with the Affiliation Agreement.

The Association's policy manual includes a written policy concerning conflict of interests.

3. No supplemental compensation or benefit, as defined by paragraph A.2 of the Addendum, has been paid directly to a University employee without an exception approved by the President of the LSU System (President). We reviewed a sample of cash disbursements for 2010 to determine whether such payments were made and, if so, whether proper approval from the President was obtained.

Based on our review there was no supplemental compensation or benefits paid directly to a University employee during 2010.

4. All payments made to or on behalf of University employees for travel, moving, relocation, entertainment, educational benefits, and other reimbursements have been approved by the employee's dean, vice chancellor, or other equivalent administrative official. We reviewed, from our sample of disbursements selected, whether such payments were made and comply with the Affiliation Agreement.

During 2010, the Association disbursed approximately 200 reimbursements to University employees. Such payments consisted primarily of monthly expense reimbursements that were filed with the Association.

We selected 15 disbursements to test for compliance with the terms as described in Steps 5 through 13.

5. All payments for moving and relocation expenses of University employees covered by PM 69 have been approved by the President. We reviewed, from our sample of disbursements selected, cash disbursements for 2010 to determine whether such payments were made and comply with the Affiliations Agreement.

Based on our review of the disbursements selected in Step 4, no disbursements were made to University employees relating to moving or relocation expenses.

6. There have been no payments made for expenses that are solely for the private benefit of a University employee (or the family or spouse of a University employee or other non-employee who is on University business) except for payments for which this prohibition does not apply as indicated in paragraph B.1 of the Addendum. We reviewed, from our sample of disbursements selected, cash disbursements for 2010 to determine whether such payments were made.

Based on our review of the disbursements selected above, all payments made related to Association business operations.

7. No fines, forfeitures or penalties of University employees have been paid. We reviewed a sample of cash disbursements for 2010 to determine whether such payments were made.

Based on our review of the disbursements selected in Step 4, we found no payments made relating to fines, forfeitures or penalties for University employees.

8. No gifts represented to be personally from a University employee have been made by the Affiliate nor has any University employee been reimbursed for the purchase of such a gift. We reviewed a sample of cash disbursements for 2010 to determine whether such payments were made.

Based on our review of the disbursements selected in Step 4, we found no payments made relating to gifts to be personally from or a reimbursement for University employees.

9. No political contributions which are prohibited by applicable Internal Revenue Service Regulations or state law have been made or reimbursed. We reviewed a sample of cash disbursements for 2010 to determine whether such payments were made. We performed the following steps with respect to this requirement:
  - a. We reviewed the vendor listing of the Association to identify potential political contributions,
  - b. We reviewed the 2010 general ledger for potential political contributions,
  - c. We inquired of Association personnel as to the existence of any political contributions,
  - d. We reviewed a sample of cash disbursements to determine if such amounts related to political contributions.

Based on our review, no political contributions were identified.

10. No payments have been made for any expense or reimbursement which would create, under all the circumstances, a reasonable conclusion on behalf of the Affiliate that the benefit to the individual University employee outweighs the benefit to the University. In accordance with paragraph B.5 of the Addendum, adequate procedures are in place to address doubtful situations. We reviewed a sample of cash disbursements for 2010 to determine whether such payments were made and determine that such procedures are in place.

Based on our review of the disbursements selected in Step 4, the payments made to University employees related to Association business operations.

11. No payments have been made for any expense or reimbursement which would create, under all the circumstances, a reasonable conclusion on behalf of the Affiliate that the amount is extravagant or lavish beyond the appropriate University purpose. In accordance with paragraph B.6 of the Addendum, adequate procedures are in place to address doubtful situations. We reviewed a sample of cash disbursements for 2010 to determine whether such payments were made and determine that such procedures are in place.

Based on our review of the disbursements selected in Step 4, we found the payments made to University employees were related to Association business and were not extravagant.

12. No funds have been disbursed in connection with contracts (or other agreements) between the Affiliate and a University employee unless an exception has been approved by the President. We reviewed a sample of cash disbursements for 2010 to determine whether such disbursements were made on such contracts or other agreements.

Based on our review of the disbursements selected in Step 4, we found that the payments made to University employees were for normal recurring expenses for Association activities. The disbursements made did not relate to any contract or agreement between the Association and the University employee.

13. All other payments to or on behalf of University employees, i.e. payments not specifically addressed above, have been made in accordance with specific approval of the President or written joint amendment or clarification of the Addendum. We reviewed a sample of cash disbursements for 2010 to determine whether such payments were approved or clarified.

None of the disbursements selected in Step 4 were subject to this provision.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance with the Affiliations Agreement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the audit committee and management of the LSU Alumni Association and Subsidiary and the Louisiana State University System, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Faulb & Winkler LLC*

Certified Public Accountants

March 18, 2011  
Baton Rouge, Louisiana





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# 2010

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3848 WEST LAKESHORE DRIVE | BATON ROUGE, LA 70808  
WWW.LSUALUMNI.ORG | WWW.THECOOKHOTEL.COM

